

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 NEA-10 ISO-00 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00

XMB-02 OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04

CEA-01 IO-11 SAM-01 /122 W
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FM USLO PEKING

TO SECSTATE WASHDC 5154

INFO AMEMBASSY CANBERRA

AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY DUBLIN

AMEMBASSY HELSINKI

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

AMEMBASSY SEOUL

AMEMBASSY TOKYO

C O N F I D E N T I A L PEKING 0259

E.O. 116520. GDS

TAGS: EFIN ETRD UK

SUBJECT: NORTH KOREAN DEBTS OWED TO SWITZERLAND

1. FOLLOWING A WEEK-LONG TRIP TO NORTH KOREA, SWISS

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COMMERCIAL COUNSELOR DISLER PROVIDED USLO WITH THE

FOLLOWING INFORMATION ON THE KOREAN DEBT PROBLEM.

2. NORTH KOREANS ARE CURRENTLY IN ARREARS ON \$3.84 MILLION (10 MILLION SWISS FRANCS) DEBTS OWED TO SWISS COMPANIES. THIS FIGURE INCLUDES \$2.23 MILLION IN DOWN PAYMENTS FOR A COMPLETE PLANT TO PRODUCE WATCHES AND \$161 MILLION FOR SWISS MACHINE TOOLS AND GERMAN PRINTING MACHINERY GUARANTEED BY SWISS BANKS. AS A RESULT OF DISLER'S VISIT, THE NORTH KOREANS HAVE PROMISED TO BEGIN PAYMENTS ON THESE DEBTS IN JUNE 1976, DURING HIS STAY IN PYONGYANG, DISLER SAID HE ALSO GOT THE KOREANS TO PAY A \$308,000 BILL FOR SWISS CHEMICALS WHICH WERE DELIVERED LAST YEAR.

3. SWISS-NORTH KOREAN TRADE INCREASED FROM ALMOST NOTHING TO \$9.84 MILLION IN SWISS EXPORTS AND \$462,000 MILLION IN IMPORTS IN 1975. MOST OF LAST YEAR'S DEFICIT HAS ALREADY BEEN PAID, AND THE OUTSTANDING DEBTS ARE PRIMARILY FOR RECENT OR FUTURE DELIVERIES. THE MOST IMPORTANT COMMERCIAL PROBLEM BETWEEN THE TWO COUNTRIES CONCERNS THE WATCH FACTORY WHICH HAS A TOTAL VALUE OF \$11.53 MILLION. THE KOREANS, AT ONE POINT, REFUSED TO TAKE DELIVERY AFTER THE COMPONENTS HAD BEEN SHIPPED TO ROTTERDAM. THEY THEN REVERSED THEIR DECISION UNDER PRESSURE FROM THE SWISS MINISTRY OF FOREIGN AFFAIRS, BUT THE SWISS HAVE NOW REFUSED TO ALLOW THE MACHINERY TO LEAVE EUROPE UNTIL THE KOREANS BEGIN MAKING THE DOWN PAYMENTS.

4. THE SWISS NOW ESTIMATE NORTH KOREA'S TOTAL FOREIGN DEBT AT \$1.4 BILLION ABOUT HALF OF WHICH IS OWED TO OTHER SOCIALIST COUNTRIES. MAJOR EUROPEAN CREDITORS ARE FRANCE, FINLAND AND SWEDEN IN THAT ORDER. IN COMPARISON TO THESE COUNTRIES, DISLER CHARACTERIZED HIS COUNTRY'S PROBLEMS AS MINOR AND HE EXPECTS THE NORTH KOREANS TO EVENTUALLY PAY THEIR BILLS. HE IS NOT OPTIMISTIC, HOWEVER, ABOUT THE FUTURE OF SWISS-KOREAN TRADE OR THE PROSPECTS FOR NORTH KOREAN ECONOMIC DEVELOPMENT IN GENERAL.

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